COLUMBIA POWER CORPORATION

SERVICE PLAN
2006/07 – 2008/09

February 2006

106-04252/

Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources

Dear Minister Neufeld:

I am pleased to submit Columbia Power Corporation's 2006/07 – 2008/09 Service Plan.

Columbia Power Corporation ("CPC") is wholly owned and controlled by the Province of British Columbia (the "Province"). CPC develops and operates power projects in the Columbia Basin, as an agent of the Province, on a joint venture basis with the Columbia Basin Trust ("CBT"). CPC is the joint venture manager. Returns from CPC's 50 per cent share of power projects are available to be distributed to the Province. Returns from CBT's 50 per cent share of power projects are available to be distributed to CBT to provide benefits to the people of the Columbia Basin in accordance with the *Columbia Basin Trust Act*.

CPC was created in 1994 to purchase certain hydroelectric rights from Cominco Ltd. Since then, CPC has gone from being a "start-up" company to the fourth largest producer of electricity in B.C. CPC now manages over $850 million in assets. CPC develops and operates CPC/CBT projects on a commercial basis, as an independent power producer ("IPP"), using limited-recourse project debt and without a provincial debt guarantee. CPC/CBT power projects utilize existing dams and harness water that would otherwise be spilled. Thus, CPC/CBT power projects create significant net environmental benefits. Despite this, being on international rivers, CPC/CBT power projects are permitted, built and operated in a very difficult environmental regulatory system (which includes federal and provincial regulators, an international treaty and local, regional, aboriginal and U.S. stakeholders). CPC/CBT power projects sell into a monopoly-controlled domestic power market characterized by limited transmission access to adjacent power markets in Alberta and the U.S., with domestic power prices based on the average cost of existing supply, not the marginal cost of new supply. Accordingly, CPC must be efficient and innovative to achieve its goals and objectives.

In 1996, CPC/CBT purchased the 120 megawatt Brilliant dam and powerplant ("BRD") from Cominco Ltd. Between 1999/00 and 2003/04, BRD was refurbished and upgraded to 145 megawatts.

Over the period 1999/00 to 2002/03, CPC managed the construction and commissioning of the 185 megawatt, $270 million, Arrow Lakes Generating Station ("ALGS"). ALGS was completed on budget and ahead of schedule, and in 2003 received the Lieutenant Governor's Award for Overall Excellence from the Consulting Engineers of British Columbia, as well as awards from the Canadian Consulting Engineers and the Design Build Institute of America. During the three-year construction period, ALGS created 750 person years of direct employment (with 85 per cent local hires), $60 million in direct and indirect income and $20 million in regional procurement.

ALGS is one of three winners of the International Hydropower Association's 2005 Blue Planet Prize for sustainable hydropower projects. The award was presented on December 4th during the United Nations Conference on Climate Change in Montreal. The Blue Planet Prize is awarded every two years to recognize excellence in sustainable practices at hydropower facilities in operation for a minimum of three years. The Arrow Lakes Generating Station was recognized for social, environmental and technical excellence.

At ALGS, CPC has carried out many tests and warranty inspections since assuming responsibility for operation from the design-build contractor on January 1, 2003. Under the ALGS design-build contract, the construction contractor, Peter Kiewit Sons Co. ("PKS"), has an obligation to address material deficiencies relative to the project's contractual design and performance specifications documented by the owner through to the project's "Final Acceptance Date". Further, the manufacturers of ALGS machinery and equipment have obligations to meet all warranties and related performance specifications. As part of CPC's overall risk management strategy, all CPC/CBT joint venture projects also carry business interruption, property and liability insurance.

On May 3, 2004, CPC discovered damage to the concrete lining of the ALGS approach channel caused by unstable hydraulic conditions. Power generation was suspended while emergency repairs were performed to maintain the structural integrity of the channel and the adjoining structures. Interim repairs were then made to allow power generation to resume safely in August 2004. Plans for permanent repairs were developed in conjunction with the Comptroller of Water Rights and BC Hydro. Permanent channel repairs work began in late 2005 and is expected to be completed by June 2006.

The 120 megawatt Brilliant Expansion Project ("BRX") is now more than two and one-half years into construction. The project is on budget and was scheduled to begin commercial operation in August 2006 however start-up is now expected in late 2006/07. Construction of the $205 million BRX will create over 450 person-years of direct employment (with 85 per cent local hires), $30 million in direct and indirect income and $15 million in local procurement. Forty per cent of the power has been sold to BC Hydro for 20 years, as a component of its "green power" portfolio. Marketing efforts for the remainder of the power are progressing in domestic and U.S. markets.

The Environmental Assessment Certificate Application for a 435 megawatt Waneta Expansion Project ("WAX") is being finalized for submission to review agencies. Engineering, environmental and financial studies are ongoing in order to optimize the size and configuration of the project. The project is subject to detailed evaluations and approvals prior to proceeding with the design-build competition (which is scheduled for 2006/07) and prior to signing a design-build contract following the review of bid proposals. Start of construction is scheduled for 2007/08. Construction of WAX is expected to take three and one-half years. It would create an estimated 680 person years of direct employment (with 75 per cent local hires), $65 million in direct and indirect income and $25 million in local procurement.

Over the period 2006/07 to 2008/09, the CPC/CBT power projects are expected to generate $73 million in net income (after ALGS channel repair costs) and pay an additional $37 million in taxes and water rentals. Forecast net income for 2005/06 and/ 2006/07 does not include a provision for the recovery of permanent channel repair costs due to uncertainties regarding the amount and timing of recoveries from insurance and/or the design-build contractor.

In 2005, CPC engaged the services of Haddon Jackson Associates, Inc. ("HJA") to provide benchmarking services that would allow CPC to compare CPC/CBT power project operating and maintenance performance against peer organizations across North America. HJA is a leading management consulting firm specializing in hydro performance improvement. CPC/CBT participated in a study ("Hydro 2004") led by HJA that compared performance data from 332 powerplants. In all major areas, CPC/CBT powerplants performed well compared to their peers, and BRD was awarded "leading performer" status in the plant maintenance category.

Since 2001/02, the Province and CBT have reviewed a number of options for restructuring the relationship among the Province, CPC and CBT. In January 2005, the Province directed that the existing structure for the Columbia Basin Initiative be continued, with the mandates of CPC and CBT remaining unchanged and CPC continuing, as manager of the joint ventures, to develop, construct and operate power projects. On June 20, 2005, CBT Energy Inc. ("CBTE"), a wholly-owned subsidiary of CBT, filed a "Notice of Intention" with the Province under an April 2001 Option Agreement that provided CBTE with an option to purchase CPC. On November 15, 2005, the Province and CBT announced that CBTE's option to purchase CPC shares would not be exercised. CBT and the region would be given a greater role in the management of the power assets, via a one-third representation on the CPC Board of Directors. This Service Plan has been prepared on that basis.

The Province's January 2005 direction also committed to supporting CPC's mandate through appointment of additional members to the CPC Board of Directors. In addition to my appointment as Chair in February 2005, two other members with considerable experience as officers and directors in the private sector were appointed in April 2005. Further appointments to the CPC Board of Directors are expected, including CBT's new one-third representation. These appointments will be skills based. Work is also underway on board sub-committee structures and an overall board governance model consistent with best practice guidelines issued by the Province.

Effective October 1, 2005, Mr. Lorne Sivertson resigned his positions as President and board member of CPC. Mr. Ed Pietraszek, previously CPC's Corporate Secretary/Treasurer and a board member for eleven years, assumed the role of Acting President until such time as a permanent replacement is selected. Mr. Sivertson had been President of CPC and a board member since CPC's inception in 1994. During his tenure, CPC went from being a "paper company" to a company with over $850 million in assets under management. CPC's success in large part can be attributed to Mr. Sivertson's leadership and determination, and the Board thanks him for his years of dedicated service.

CPC's 2006/07 – 2008/09 Service Plan was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the Province's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks, as of January 23, 2006, have been considered in preparing the plan. I am accountable for ensuring CPC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Yours truly,

Lee Doney
Board Chair

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COLUMBIA POWER CORPORATION

SERVICE PLAN
2006/07 – 2008/09

1.0 Organizational Overview

1.1 Introduction

CPC is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, CPC's goal is to support the employment, economic development and resource management objectives of the Province and CBT, within the constraints of a commercial enterprise.

CPC undertakes power projects through joint ventures with subsidiaries of CBT. CPC is the manager of the joint ventures. CPC is a small organization, with fewer than 40 regular full-time equivalent positions, located in Castlegar and Victoria. CPC focuses on asset management activities while engaging other firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, CPC is one of the largest producers of electricity in British Columbia.

The core projects of CPC and CBT are ALGS, BRX and WAX, all of which are located in the Columbia Basin. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of BRD in 1996 and its subsequent upgrade was the first major investment by the joint venturers. Construction of ALGS began in 1999 and start-up was achieved in 2002. Construction of BRX began in 2003, with start-up scheduled for late 2006/07. Environmental approval is being sought for WAX. Almost all of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC and BC Hydro. A long-term contract with BC Hydro is also in place for the sale of a portion of the output of BRX upon project completion.

1.2 Historic Context

In 1964, Canada and the United States of America ("U.S.") ratified the Columbia River Treaty. Under the Treaty and related agreements, Canada, through the Province, agreed to build three new storage dams in the Canadian section of the Columbia River: Duncan (1968), Keenleyside (1969) and Mica (1973). The purpose of the new dams was to create 15.5 million acre feet of water storage which would control flooding in Washington and Oregon and allow hydroelectric facilities in these states to produce up to 2,400 megawatts of additional electricity capacity (BC Hydro has about 10,000 megawatts of capacity). This additional power is referred to as the downstream benefits. In exchange, the Province received $64.4 million plus one-half the downstream benefits, which it sold to a consortium of U.S. utilities for a period of 30 years from the completion dates of the three Canadian dams.

The construction of the three Treaty dams brought current and future financial benefits to the Province, but also significant economic, environmental and social costs to the residents of the Columbia Basin, both at the time and on an ongoing basis. Twenty-three hundred residents were displaced, communities were lost, lands were expropriated and properties were flooded. There continue to be ongoing negative environmental effects from reservoir and river-flow fluctuations.

In 1995, the Province, through legislation and contractual arrangements, created a unique model in recognition of the costs borne by the Columbia Basin as a result of the Treaty dams. Through the Columbia Basin Initiative, it was agreed to allocate a share (about 8 per cent) of the value of future downstream benefits sales to the region. The mechanisms of the Columbia Basin Initiative were the *Columbia Basin Trust Act*, which created CBT, and the 1995 Financial Agreement between the Province and CBT, which set out the terms for the regional funding allocation.

Under the 1995 Financial Agreement, CBT and CPC received $250 million each over 10 years to provide equity for qualifying power project developments in the region. Three core projects were designated: Keenleyside (subsequently renamed as ALGS), BRX and WAX. BRX and WAX involve development rights purchased by CPC in 1994 from Cominco Ltd., now Teck Cominco Metals Ltd. Other generation, distribution and transmission projects can be carried out by CPC and CBT, provided both parties agree and the projects meet the same commercial and other tests as the core projects. In 1996, CPC and CBT purchased the Brilliant dam and powerplant from Teck Cominco Metals Ltd. and subsequently carried out a substantial sustaining capital and upgrade program. Returns from CPC's 50 per cent share of the power projects are available to be distributed to the Province. Returns from CBT's 50 per cent share of the power projects are available to be used by CBT to provide benefits to the people of the region in accordance with the *Columbia Basin Trust Act*.

1.3 Mandate, Vision and Values

In January 2005, the Province confirmed the mandates of CPC and CBT. CPC is to continue, as manager of the joint ventures with CBT, to develop, construct and operate power projects. CBT is to continue to invest and deliver economic, social and environmental benefits to Columbia Basin residents. The mandate, vision and values of CPC are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making, to the extent possible guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

1.4 Business Model

The business of CPC is to plan, develop and operate commercially viable, environmentally sound and safe power projects in the Columbia Basin, with the first priority being the core projects identified in 1995, ALGS, BRX and WAX. In carrying out its business, CPC relies to a great extent on the private sector. The planning, design, financing, construction, operation and power sales functions involve private sector firms wholly or in part. CPC follows a public-private-partnership (P3) model for the design, procurement and operation of the joint venture power projects. This allows CPC to properly allocate and manage risks and realize innovation and efficiency through competition. The model has five distinct components: design, evaluation, construction (build), operation and management of power assets.

Design

The design component involves the assessment of over-all financial, economic and environmental feasibility. This includes basic engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial go/no-go decision based on critical criteria. This component is largely carried out by CPC with its consultants.

Evaluate

In this component, all the information obtained in the design component, including fixed-price design-build bids, is assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. CPC, on behalf of the Joint Venture, is responsible for this evaluation and due diligence.

Build

With the signing of a design-build contract many responsibilities are transferred to the contractor. CPC, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements.

Operate

Once a project has been completed and commissioned, operations and power sales begin, and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is "fit for purpose". CPC has in-house engineers knowledgeable in plant operations and maintenance but has chosen, for cost and efficiency purposes, to engage a contractor to operate and maintain the joint venture's plants, with oversight by CPC. The contractor is responsible for a number of activities, including compliance with dam safety and environmental requirements.

Manage

CPC is the manager for the Joint Venture and is responsible for all activities in the business model components. This includes negotiating and administering agreements, raising financing, paying lenders, paying taxes, complying with approvals, employing qualified staff and advisors and above all, serving the public interest.

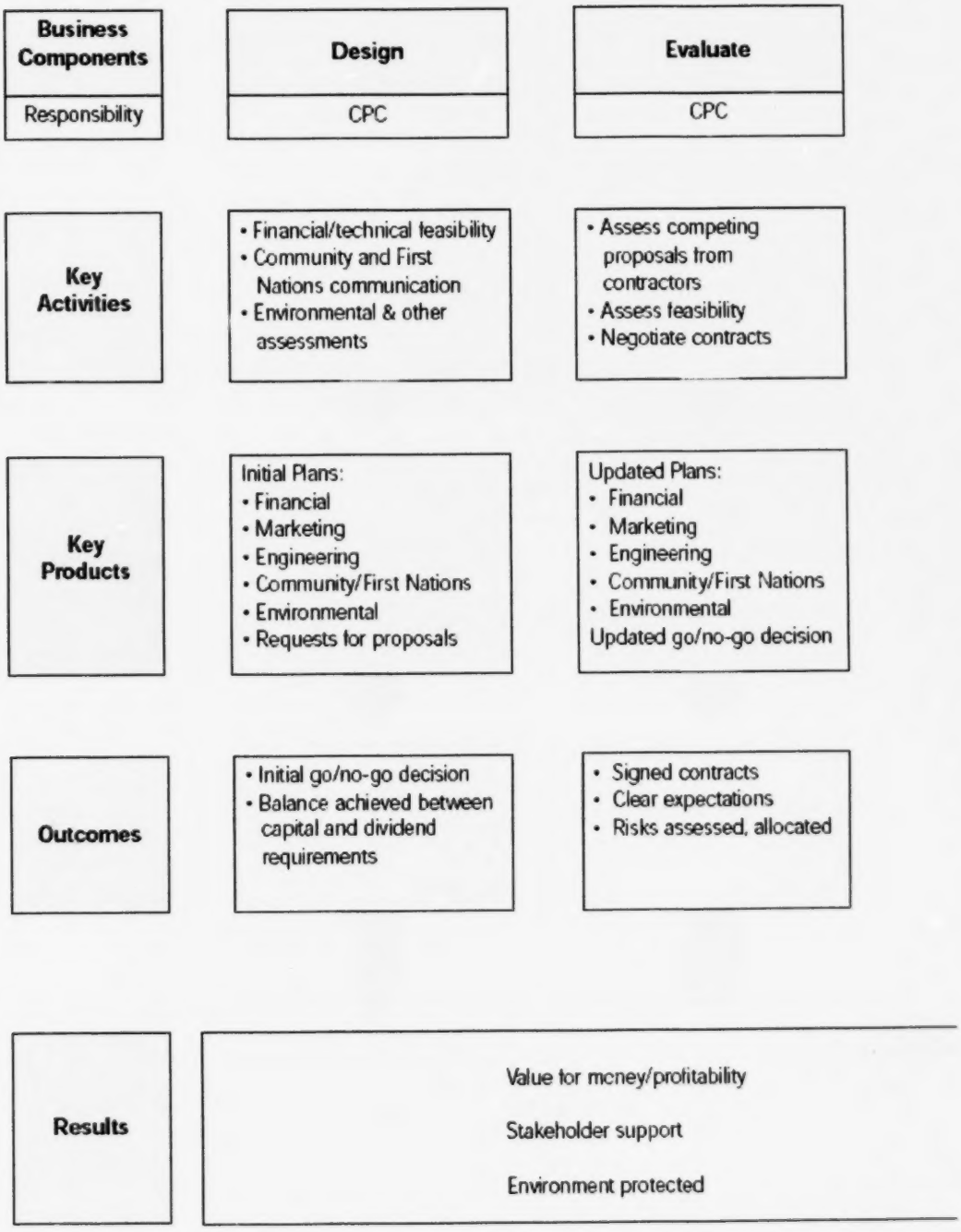
The CPC business model is shown in Figure 1.

In carrying out its business model, CPC has two roles:

- It is an owner with a 50 per cent interest in joint venture power projects, each of which is a separate power project corporation, matching the 50 per cent owned by CBTE. These projects are established as separate corporations for the purpose of securing commercial project financing without provincial debt guarantees.

- It is the manager for the joint ventures. The corporate structure of the joint ventures is shown in Figure 2.

Figure 1: CPC Business Model



Build
Contractors
Operate
Contractors
Manage
CPC
• Oversee construction
• Carry out construction
• Follow up on commitments
• Related sub-projects
• Maintenance
• Upgrades
• Dispatch
• Financial
• Regulatory
• Contract administration
• Human resources
• Joint Venture interface
• Compliance
• Studies and reports
• Stakeholder communications
• Generation
• Power sales
• Budgets
• Expenditures
• Debt issues
• Regulatory compliance
• Projects completed to specifications
• Environmental benefits
• Construction employment/income
• Efficient, reliable plant operations
• Environmental benefits
• Cash flow
• Cost-effective operations
• Dividends
• Shareholder value
• Joint Venture value
Risks managed
Motivated, skilled staff
Regulatory compliance

1.5 Key Relationships

The joint venture power project companies owned by CPC and CBTE are IPPs that are wholesalers of power, primarily under long-term contracts to regulated utilities. A 12-year power sales agreement is in place for ALGS with BC Hydro (expiring in 2015); a 60-year power sales agreement is in place for BRD with FortisBC (expiring in 2056); and a 20-year "green power" sales agreement is in place with BC Hydro (expiring in 2027) for 40 per cent of the output of BRX.

The joint venture hydroelectric projects have or will have power "entitlement" agreements with BC Hydro. These entitlement agreements provide the projects with predetermined monthly energy and capacity quantities based on historic streamflows and the flow versus output characteristics of each project. The entitlement agreements remove annual hydrology risk and make the projects more attractive to investors and lenders. BC Hydro controls the overall hydroelectric system in the Columbia-Kootenay region, allowing it to optimize power production for the overall system. BC Hydro is also compensated for providing the power entitlements by keeping a small share of the average annual energy produced. BC Hydro has similar arrangements with FortisBC and Teck Cominco Metals.

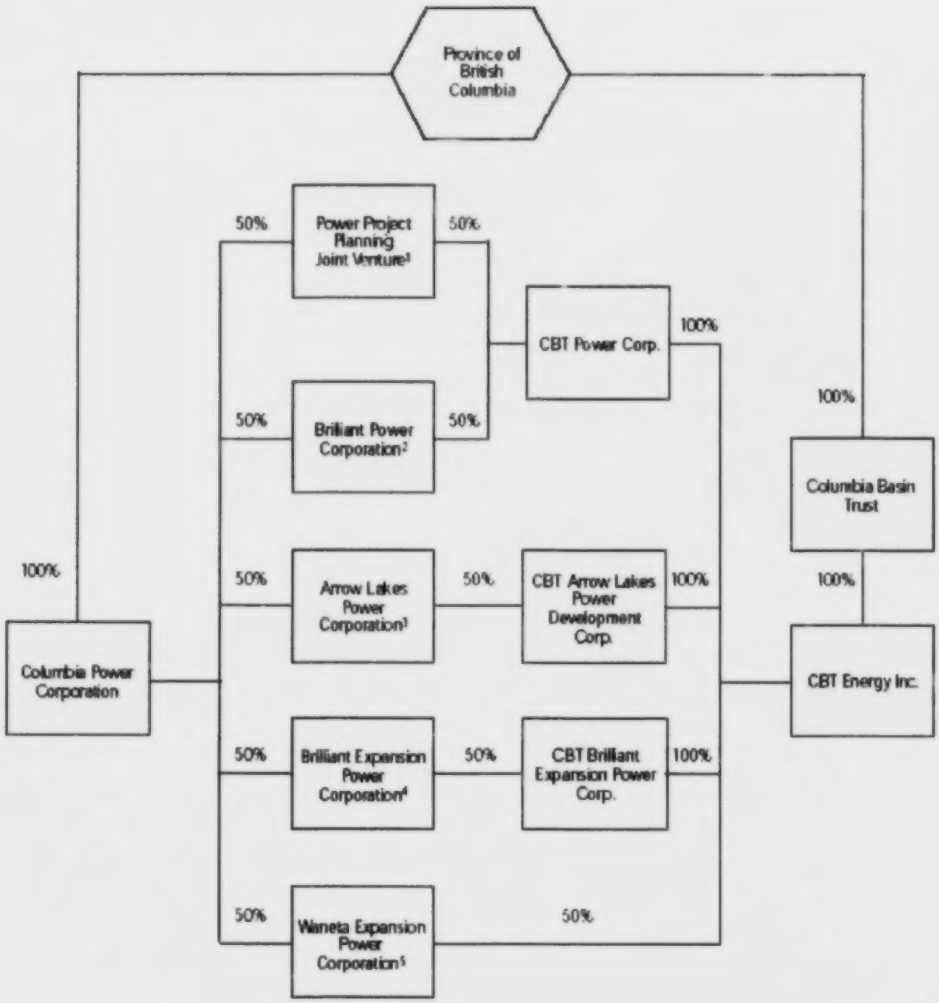
ALGS was constructed by PKS under the terms of a fixed-price design-build contract. Final Acceptance has not been achieved, pending satisfaction of all contract requirements, including resolution of a number of deficiencies. PKS is contracted to perform the channel permanent repair work.

BRX is being constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under the terms of a similar fixed-price design-build contract.

BRD, the related Brilliant Terminal Substation ("BTS") and ALGS are operated and maintained by FortisBC under contract. A similar O&M contract is contemplated for BRX. FortisBC also operates and maintains Teck Cominco's Waneta powerplant and its related transmission facilities.

WAX is currently in the stakeholder consultation and environmental approval process. A similar design-build contract arrangement is planned for WAX, with the design-build competition and bid evaluation taking place in 2006/07.

Figure 2: Corporate Structure of the CPC/CBT Joint Ventures



Notes:

1 carries out early stage planning of Power Projects
2 owns Brilliant Plant
3 owns Arrow Lakes Generating Station
4 owns Brilliant Expansion
5 owns Waneta Expansion Rights

1.6 Planning Context & Key Strategic Issues

CPC develops and operates CPC/CBT core power projects as an IPP, using limited-recourse project debt without a provincial debt guarantee. Like other IPPs, CPC is not a regulated utility, and thus does not have a service area with a built-in customer base to absorb ALGS, BRX and WAX capital and operating cost overruns, environmental and regulatory compliance costs, or tax and tariff increases. ALGS and BRX have fixed-price power sales contracts.

CPC's mandate is to develop and operate ALGS, BRX and WAX at existing dams using water that would otherwise be spilled. CPC/CBT power projects create significant net environmental benefits. However, CPC/CBT core power projects also have low capacity utilization factors (of about 50 per cent), relying primarily on spring run-off water and upstream flow regulation. CPC/CBT power projects are also on international rivers, and are built and operated in a very difficult environmental regulatory system (which includes federal and provincial regulators, an international treaty and local, regional, aboriginal and U.S. stakeholders). CPC/CBT power projects also operate in a monopoly-controlled transmission and retail power market characterized by limited access to adjacent power markets in Alberta and the U.S. Pacific Northwest with domestic power prices based on the average cost of existing supply, not the marginal cost of new supply. Accordingly, CPC must be efficient and innovative to achieve its goals and objectives.

The key strategic issues facing CPC include:

- obtaining federal and provincial approvals, permits and licenses to develop and operate power projects within a difficult environmental regulatory regime;
- developing regional support for CPC/CBT power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and continuing to work to develop solutions to First Nations issues regarding CPC/CBT projects;
- securing power sales contracts in a domestic market, where CPC/CBT power projects represent a low cost source of new power supply, but where there is one dominant wholesale buyer, CPC/CBT projects are being given limited access to new wholesale resource calls and retail access to large ("transmission voltage") customers is not yet a practical reality;
- accessing a promising market in the U.S. for green power in the face of monopoly ownership of transmission and ongoing constraints on the availability of long-term firm transmission capacity on both the B.C. and U.S. sides of the border;
- adjusting to a higher Canadian dollar, which lowers the value of power exports to the U.S. market, and higher construction and commodity prices, such as steel and concrete;
- implementing the renewed and extended Canal Plant Agreement ("CPA") with BC Hydro, FortisBC and Teck Cominco, key parts of which were to have expired in September 2005; subject to satisfactory regulatory approval, the CPA has been renewed, to at least 2035 and extended to include BRX and WAX (the existing CPA includes BRD, while ALGS has a separate entitlement agreement with BC Hydro);
- uncertainty regarding future interest rates and thus the cost of debt finance for the remaining core CPC/CBT power projects; and,
- uncertainty regarding new property and other tax costs that may be implemented as part of the Province's economic and energy policy, which have the potential to adversely affect the economic return from CPC/CBT power projects.

2.0 Performance Measures

2.1 Performance Measures at a Glance

	BENCHMARK	04/05 Actual	05/06 Target	06/07 Target	07/08 Target	08/09 Target
1.1 Variance in project development time	ALGS: 7 Months Early BTS: On Time	BRX: On Schedule	BRX: Delayed	BRX: Late 2006/07	Monitor WAX Schedule	Monitor WAX Schedule
2.1 Variance from project budgets	ALGS: On Budget BTS: On Budget	BRX: On Budget	BRX: On Budget	BRX: On Budget	WAX: On Budget	WAX: On Budget
3.1 Unresolved deficiency ratio	Baseline to be Developed	ALPC and BRX: Deficiencies Actively Monitored	ALGS: Less Than or Equal to 1	BRX: Less Than or Equal to 1	WAX: Document Deficiencies & Monitor Resolution	WAX: Document Deficiencies & Monitor Resolution
4.1 Energy entitlement ratio	1st Quartile: See Benchmarking Appendix	ALGS: 76% BRD: 99%	ALGS: >79% BRD: >95%	ALGS: >91% BRD: >95%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%
5.1 Bond rating	Investment Grade Bond Ratings	Maintained All Bond Ratings	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds
5.2 Debt service coverage ratio	Greater Than or Equal to 1.3	ALGS: 1.7 BRD: 1.6	ALGS: 0.2 BRD: 1.7	ALGS: 1.0 BRD: 1.7	ALGS: 2.1 BRD: 1.7 BRX: 3.7	ALGS: 1.5 BRD: 1.7 BRX: 1.8
5.3 Capital structure	CEA Composite Performance Measure for 2004 = 74:26	30:70	29:71	28:72	38:62	37:63
6.1 Return on equity	Over the Life of a Project, Comparable to Regulated Utilities	1.9%	-0.8%	1.3%	5.8%	4.6%
7.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix	ALGS: $4.82 BRD: $2.06	ALGS: $4.5 BRD: $2.0	ALGS: $4.1 BRD: $2.30	ALGS: $3.50 BRD: $2.20 BRX: $2.90	ALGS: $3.50 BRD: $2.20 BRX: $3.00
7.2 Revenue per employee	CEA Composite Average for 2004: $546,000	$712,000	$741,000	$665,000	$956,000	$964,000
8.1 Environmental compliance	Baseline Information to be Developed	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices

2.2 Goals/Objectives, Strategies, Measures and Targets

Performance Measures Framework

CPC's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals/objectives and strategies. The framework also reflects CPC's dual functions as a development company and an operating company. The framework aligns specific strategies to each goal/objective and incorporates ongoing research regarding suitable benchmarks and targets. Given CPC's role as joint venture manager and the extent to which CPC contracts out, finding suitable industry benchmarks remains a challenge, as the industry is still largely dominated by vertically integrated regulated utilities (including large thermal and nuclear utilities). These challenges are described more fully in the individual performance measures. Where suitable industry benchmarks are not available, those specific to CPC have been used.

The 2006/07 – 2008/09 Service Plan continues the emphasis of focusing on key aspects of CPC's project development and operation mandate by providing a series of additional, more precise, measures that disaggregate the measure for operations, maintenance and administration ("OMA") into its key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support. These additional measures, which have been developed in conjunction with a hydro-electric powerplant performance study prepared by HJA, are presented and described in more detail in the Appendix.

Variance Analysis:

CPC's fiscal 2004/05 financial and efficiency measures were negatively affected by ALGS interim channel repair costs and related production outages. The expensing of current and prior period Columbia Basin Initiative restructuring costs also affected overall performance relative to targets. In the absence of these items, CPC's financial targets would have been achieved or exceeded.

Updated forecasts and targets for 2005/06 to 2008/09 reflect:

- increased revenues from a new power sales agreement for a portion of the BRD upgrade energy;
- inclusion of ALGS permanent repairs costs (which are being expensed);
- deferral of the BRX commercial operation date (with the associated loss of revenue and avoidance of certain costs such as water rentals);
- deferral by one year of the issuance of BRX's long-term debt issue (with the resulting deferral of interest costs and debt service requirements); and,
- increased WAX capital cost estimates.

Overall financial and efficiency measures are negatively effected.

Methodology:

Current and historical performance measures are not audited. Development and construction efficiency measures are based on information from project tracking systems and monthly status reports. The financial measures are derived from CPC's audited consolidated financial statements and other reliable sources. Bond ratings and environmental compliance measures are independently verifiable.

A number of CPC's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect CPC's planned courses of action, and judgments as to the most probable set of economic conditions. Due to the nature of forecasting future events, users of this information are cautioned that actual results will vary from the information presented.

Goal/Objective #1 – Development of Projects on time

Strategy:

CPC's project development strategy employs design-build contracts that specify commercial start-up dates, with incentives for early completion and penalties for late completion. In addition, throughout the term of a contract, there are provisions for CPC to withhold payments if key milestone dates are not met.

Performance measure, benchmark and target

1.1 This measure reports any variance between expected and actual project start-up dates. The benchmark for this measure is ALGS, which was developed seven months early. The target is to achieve a variance of less than or equal to zero, indicating an approved project has achieved commercial start-up on time or early.

GOAL/OBJECTIVE 1. Development of projects on time	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 1.1 Variance in project development time		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	ALGS: 7 Months Early	BRX: On Schedule	N/A	BRX: Sept. 2006	N/A	
2006/07 – 2008/09 Service Plan	BTS: On Time		BRX: Delayed	BRX: Late 2006/07	Monitor WAX Schedule	Monitor WAX Schedule

Goal/Objective #2 – Development of projects on budget

Strategy:

CPC's strategy is to transfer construction risk to the design-build contractor. Design-build contracts are fixed-price and contain detailed project specifications, including performance specifications, to minimize change orders and ensure that a project is "fit for purpose." Design-build contracts also provide performance-based penalties and incentives

Performance measure, benchmark and target

2.1 This measure reports on variance between project development costs incurred and the approved budget. The benchmark for this measure is ALGS, which was developed on budget. The target is to achieve a variance of less than or equal to zero, indicating an approved project has achieved commercial start-up on or under budget.

GOAL/OBJECTIVE 2. Development of Projects on Budget	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 2.1 Variance from project budgets		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	ALGS: On Budget	BRX: On Budget	N/A	BRX: On Budget	N/A	
2006/07 – 2008/09 Service Plan	BTS: On Budget		BRX: On Budget		WAX: On Budget	WAX: On budget

Goal/Objective #3 – Effective construction management

Strategy:

As noted, CPC's design-build contracts specify a project completion date and key milestones, with performance incentives and non-performance penalties. In addition, design-build contracts are secured by performance and labour and materials bonds, either cash holdbacks or letters of credit, and parent company guarantees. CPC retains independent engineers to oversee contractor performance against the design-build contract specifications and milestones. Once CPC takes over responsibility for a project's commercial operation, there is a three-year period within which the design-build contractor must resolve all material deficiencies and project performance issues documented by CPC as owner. At a project's Final Acceptance Date, the design-build contract allows for "liquidated damages" for any unresolved materials deficiencies. Liquidated damages can be recovered against any securities or holdbacks under the contract. CPC maintains sufficient security to cover potential deficiencies.

Performance measure, benchmark and target

3.1 This measure reports the ratio of the value of unresolved material deficiencies (under a project's design build contract) to the value of contractual holdbacks for liquidated damages at the Final Acceptance Date. The target is to achieve a ratio with a value less than or equal to one, indicating that the value of any unresolved material deficiencies is offset by the value of security for liquidated damages.

GOAL/OBJECTIVE **3. Effective Construction Management**	**BENCHMARK**	**TARGETS**				
PERFORMANCE MEASURE **3.1 Unresolved deficiency ratio**		**2004/05 Actual**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
2005/06 – 2007/08 Service Plan	Baseline to be Developed	ALPC and BRX: Deficiencies Actively Monitored	ALGS: Less Than or Equal to 1	N/A	N/A	
2006/07 – 2008/09 Service Plan			ALGS: Less Than or Equal to 1	BRX: Less Than or Equal to 1	WAX: Document Deficiencies & Monitor Resolution	WAX: Document Deficiencies & Monitor Resolution

Goal/Objective #4 – Reliable plant operations

Strategy:

CPC/CBT power projects receive contractual energy entitlements based on long-term average stream flow, plant capabilities (energy and capacity) and plant availability. Plant availability can be reduced by both planned and unplanned outages. CPC attempts to minimize the impact of planned outages by scheduling plant maintenance, repairs and upgrades during low flow (and low entitlement) months (primarily February through April). Unplanned outages tend to be higher during a new plant's period of initial operation, decrease to a "normal" operating level, and eventually increase as a plant ages. CPC/CBT projects are either newly constructed (ALGS) or have been recently refurbished (BRD). CPC design-build contracts specify plant performance and reliability measures. In addition, machinery and equipment have manufacturer warranties. CPC's independent owner's engineers conduct independent studies and investigations to help ensure that a plant's performance and reliability criteria are met and a project is fit for purpose.

Performance measure, benchmark and target

4.1 This measure reports the ratio of a project's actual energy entitlements to maximum energy entitlements, by project, thus providing a measure of plant reliability. The benchmark is the Canadian Electricity Association ("CEA") key performance indicator: Hydraulic Weighted Capability Factor, which has a value of 91 per cent for both 2003 and the five-year period 1999-2003. The target is to achieve a value greater than or equal to 95 per cent, indicating that planned and unplanned outages do not result in more than a 5 per cent reduction in energy entitlements for the year. The lower targets for ALGS in 2004/05 and 2006/07 reflect actual interim and expected final channel repairs.

GOAL/OBJECTIVE 4. Reliable Plant Operations	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 4.1 Energy entitlement ratio		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	1st Quartile: See Benchmarking Appendix	ALGS: 76% BRD: 99%	ALGS: >95% BRD: >95%	ALGS: >91% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%	
2006/07 – 2008/09 Service Plan			ALGS: >79% BRD: >95%	ALGS: >91% BRD: >95%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%

Goal/Objective #5 – Investment Grade, non-tax-supported credit ratings

The electricity industry is dominated by regulated utilities, such as BC Hydro, which typically do not finance debt on a limited-recourse project basis. Furthermore, the debt of BC Hydro and most other Crown corporations is guaranteed by the Province. CPC/CBT project debt is not guaranteed by the government, thus it is not tax supported. It is therefore important that CPC maintain investment grade credit ratings.

Strategy:

CPC/CBT have a fixed $500 million government equity endowment. The final $50 million equity payment from the Province under to the 1995 Financial Agreement was paid on April 1, 2005. To have sufficient capital to develop all three mandated core projects, CPC must raise long-term debt in the commercial bond market on a limited-recourse project basis (as noted, CPC/CBT do not have a government debt guarantee). To minimize overall interest costs while enabling it to pursue CPC/CBT project development goals, CPC uses equity resources and short-term credit facilities to reduce interest costs during project development. Once a project has been constructed and a long-term power sales agreement has been put in place, CPC raises long-term project debt from the bond market as required.

Before going to the bond market, CPC obtains a project bond rating from one or more bond rating agencies, such as Dominion Bond Rating Service ("DBRS") and Moody's Investor Service ("Moody's"). Bond ratings provide an independent, objective and credible third-party evaluation of the risks associated with a project bond issue (commercial debt). CPC's objective is to maintain investment grade project bond ratings, which requires CPC to be able to assure rating agencies that a power project can sustain a debt coverage ratio of 1.3 or greater. There are three measures of our performance: the bond ratings, debt service coverage ratios and capital structure.

Performance measure, benchmark and target

5.1 This measure reports a project's bond ratings by DBRS and/or Moody's. The benchmark is an Investment Grade bond rating. CPC's target is to establish an initial Investment Grade project bond rating, and to maintain or improve that rating over time.

GOAL/OBJECTIVE 5. Investment Grade, Non-Tax Supported, Credit Rating	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 5.1 Bond rating		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	Investment Grade Bond Ratings for CPC/CBT Project Debt	Maintained Ratings for All Bonds	Maintain or Improve Current Investment Grade Bond Ratings for CPC/CBT Project Debt ALGS: DBRS A (High) BRD: DBRS A (High), Moody's A1 BRX: Investment Grade bond rating in 07/08			
2006/07 – 2008/09 Service Plan						

5.2 The second measure of credit worthiness reports on a project's debt service coverage ratio, measured as net income before interest and amortization of assets, divided by interest plus debt principal repayment, for projects with a bond rating. The benchmark used by rating agencies to establish an Investment Grade bond rating is an interest coverage ratio of greater than or equal to 1.3. CPC has established a target debt service ratio of 1.5 for each project with a bond rating, subject to CPC's capital spending needs and the availability of equity. High debt service coverage ratios are required to raise additional limited-recourse project debt in the commercial bond market on favourable terms. A low debt service ratio affects both the cost of new debt issues (and thus a project's net income) and CPC's capacity to borrow (and thus our ability to develop new projects in the absence of a government debt guarantee).

GOAL/OBJECTIVE 5. Investment Grade, Non-Tax Supported, Credit Rating	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 5.2 Debt service coverage ratio		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	Greater Than or Equal to 1.3	ALGS: 1.7 BRD: 1.6	ALGS: 2.0 BRD: 1.6	ALGS: 2.0 BRD: 1.6	ALGS: 2.1 BRD: 1.7 BRX: 1.7	
2006/07 – 2008/09 Service Plan			ALGS: 0.2 BRD: 1.7	ALGS: 1.0 BRD: 1.7	ALGS: 2.1 BRD: 1.7 BRX: 3.7	ALGS: 1.5 BRD: 1.7 BRX: 1.8

5.3 The third measure reports on CPC's capital structure, measured as consolidated debt and consolidated equity, each divided by consolidated debt plus equity, expressed as a ratio. Along with a project's debt service ratio, a project's debt to equity ratio is a key measure of CPC's ability to raise additional long-term debt to develop all three of its mandated core projects.

Finding a suitable industry benchmark is difficult. The electricity industry average is a composite that reflects the dominance of large government-backed regulated utilities such as Hydro Quebec and BC Hydro, which do not engage in limited-recourse project finance. The ratio of debt to equity is a standard industry measure that is reported on a consolidated basis, not on a project basis. CPC's low debt-to-equity targets are consistent with its Capital Plan and investment strategy of using equity to construct projects. Once BRX and WAX have been constructed, and long-term takeout debt financing put in place, CPC's debt-to-equity ratio will more closely track the CEA industry average.

GOAL/OBJECTIVE 5. Investment Grade, Non-Tax Supported, Credit Rating	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 5.3 Capital structure		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 - 2007/08 Service Plan	CEA Composite Performance Mmeasure for 2004 = 74:26	30:70	28:72	27:73	36:64	
2006/07 - 2008/09 Service Plan			29:71	28:72	38:62	37:63

Goal/Objective #6 – Acceptable return on equity

Strategy:

As noted earlier, the mandate of CPC is to develop and operate ALGS, BRX and WAX on a commercial basis with a fixed amount of equity from the Province, without a provincial government debt guarantee and without a built-in customer base (i.e., as an IPP and wholesaler). CPC/CBT power projects are capital intensive, but because they largely harness spring run-off water, they have low capacity utilization factors (of about 50 per cent). Furthermore, while the economic life of a CPC/CBT hydroelectric power project can be 70 years or more, limited-recourse project debt is typically for terms of 30 years or less. Thus, CPC/CBT must defer receiving a significant portion of its equity returns until after project debt is retired.

In view of these constraints, CPC pursues the objective of an acceptable long-term return on equity over the life of a project. In order to balance market opportunities with the ability to raise limited-recourse project debt, CPC has put in place a portfolio of power sales contracts with varying terms (60 years for BRD with market price adjustments after year 30; 12 years for ALGS; and 20 years for the 40 per cent of BRX output currently under contract). CPC also pursues a strategy of managing project risks by: establishing competitive, fixed-price design-build contracts; passing hydrology risk to BC Hydro in exchange for predetermined monthly energy and capacity entitlements; entering into long-term power sales agreements supported by third-party backstop agreements; and carrying business interruption, property and liability insurance.

Performance measure, benchmark and target

6.1 This measure reports return on equity, measured as consolidated net income divided by equity (contributed surplus plus retained earnings). Suitable industry benchmarks are not readily available. Return on equity is a standard industry measure, but – unlike for regulated utilities, which dominate the industry – CPC/CBT power projects do not earn an annual regulated rate of return in each year from a built-in customer base. As noted, CPC/CBT earn a return on equity over the life of a project investment. This return will depend on market conditions and CPC's ability to manage trade-offs between risk and return. The benchmark is to achieve, over a project's life, a return on equity comparable to that earned by regulated utilities. The target annual return on equity will be low in a project's early years and will rise over time, particularly once debt is retired.

GOAL/OBJECTIVE 6. Acceptable Return on Equity	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 6.1 Return on equity		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 - 2007/08 Service Plan	Over the Life of a Project, Comparable to Regulated Utilities	1.9%	2.5%	3.6%	4.0%	
2006/07 - 2008/09 Service Plan			-0.8%	1.3%	5.8%	4.6%

Goal/Objective #7 – Cost-efficient joint venture management

Strategy:

In order to be cost efficient, CPC relies on the use of external contractors, through both its competitive design-build development strategy and the contracting out of project operation and maintenance, legal, payroll, pension administration, benefits administration and IT functions. CPC maintains a regular staff of highly qualified professionals, who perform project and corporate planning, project permitting, risk management, commercial negotiation, power marketing, project and corporate accounting, treasury, land management, community relations, environmental management, contract administration and due diligence functions.

Performance measure, benchmark and target

7.1 A key industry measure of efficiency is the OMA unit cost for assets in-service, measured as OMA costs divided by net electricity entitlement, in dollars per megawatt-hour. Given the scale and type of CPC's projects (small to medium scale hydro) and CPC's reliance on external contractors, this measure may not be comparable to industry standards. Furthermore, to provide meaningful benchmarks against which to manage ongoing operations, this measure needs to be disaggregated by function and by project. As noted, detailed OMA performance measures, disaggregated into the key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support, have been developed in conjunction with a hydro-performance study prepared by HJA, and are presented and described in more detail in the Appendix.

GOAL/OBJECTIVE 7. Cost Efficient Joint Venture Management	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 7.1 OMA unit cost for assets in service		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	1st Quartile See Benchmarking Appendix	ALGS: $4.82 BRD: $2.06	ALGS: $4.40 BRD: $2.30	ALGS: $3.30 BRD: $2.20 BRX: $3.70	ALGS: $3.20 BRD: $2.10 BRX: $2.70	
2006/07 – 2008/09 Service Plan			ALGS: $4.5 BRD: $2.0	ALGS: $4.1 BRD: $2.30	ALGS: $3.50 BRD: $2.20 BRX: $2.90	ALGS: $3.50 BRD: $2.20 BRX: $3.00

Note: The higher target values for ALGS reflect: increased CPC due diligence related to unresolved material deficiencies at ALGS; FortisBC's plant maintenance charges at ALGS taking longer than anticipated to track levels at the Brilliant dam; and CPC's decision to hire engineers-in-training to develop internal expertise regarding CPC/CBT powerplant operations and maintenance.

7.2 Another industry measure of efficiency is revenue per employee, measured as consolidated revenue divided by the number of employees at year-end. The benchmark is the CEA industry composite average. Given CPC's reliance on external contractors, this performance measure may not be comparable to the electricity industry standard. To partially adjust for this, the target performance measure includes only the one-half share of total power project revenue that accrues to CPC.

GOAL/OBJECTIVE 7. Cost Efficient Joint Venture Management	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 7.2 Revenue per employee		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	CEA Composite Average for 2004: $546,000	$712,000	$810,000	$990,000	$1,120,000	
2006/07 – 2008/09 Service Plan			$741,000	$665,000	$956,000	$964,000

Goal/Objective #8 – Environmental compliance

Strategy:

CPC is primarily an asset development and management company, with contractors performing almost all activities associated with significant environmental impact. CPC builds stringent environmental compliance requirements into its design-build contracts. It puts the onus on the contractor to develop the specific means to undertake its activities in a skilled, knowledgeable and diligent manner in compliance with environmental laws, regulations and permit conditions, as well as with the practices and standard of care within the industry. In addition, CPC conducts its own due diligence, primarily through the independent owner's consultant oversight and reviews.

In 2004/05, CPC implemented an environmental management system ("EMS") to guide its management of the legal, regulatory and other environmental requirements that stem from its projects. The EMS has been developed with the International Organization for Standards' ISO 14001 standard, which has been adopted by the CEA, as a guide. Although CPC plans to operate at this standard, it is not currently planning to apply for certification because of cost and staffing considerations. The scope of the EMS includes project planning, project construction, facility operation and maintenance, and land management. The basic objective or goal is to have CPC conform to an appropriate level of environmental due diligence, consistent with the legal standard of care established by the courts. That standard requires CPC to take all reasonable steps to avoid causing prohibited environmental harm. The measure of reasonableness will change over time as industry

expertise progresses. CPC considers its particular circumstances, as well as the practices and standard of care within the industry in which CPC operates. The greater the potential for environmental harm, the higher the standard of care will be.

The EMS by itself is not sufficient to establish that CPC is duly diligent. The system must be implemented, effective and monitored. It must also improve over time to meet changes in the measure of reasonableness.

Performance measure, benchmark and target

8.1 Compliance with environmental requirements is measured as the number of notices from regulatory agencies of environmental non-compliance. The industry is dominated by large utilities, including hydro producers (such as BC Hydro, Hydro Quebec and Manitoba Hydro), thermal producers in Alberta and nuclear producers in Ontario. In addition to generation facilities, many of these utilities have large transmission and distribution facilities. Accordingly, a suitable industry benchmark is not readily available. CPC has established a target of zero material non-compliance notices.

GOAL/OBJECTIVE 8. Environmental Compliance	BENCHMARK	TARGETS				
PERFORMANCE MEASURE 8.1 Compliance with environmental requirements		2004/05 Actual	2005/06	2006/07	2007/08	2008/09
2005/06 – 2007/08 Service Plan	Baseline Information to be Developed	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices			
2006/07 – 2008/09 Service Plan						

3.0 Alignment with Government's Strategic Plan

The government's Strategic Plan has five key goals for the next decade, which were originally enumerated in the Throne Speech of February 2005:

- Goal 1: To make B.C. the best educated, most literate jurisdiction on the continent.
- Goal 2: To lead the way in North America in healthy living and physical fitness.
- Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.
- Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
- Goal 5: To create more jobs per capita than anywhere else in Canada.

CPC makes significant contributions directly to Goal 4 and Goal 5 and indirectly to Goals 1, 2 and 3.

Goals 1, 2 and 3 – Best educated, healthiest, most fit population with the best social support system

Through the payment of dividends to the Province and CBT, taxes to the Province and local governments, and water rentals to the Province, CPC's power projects help to fund: education, healthcare and other provincial social support programs and services; CBT social programs in the Columbia Basin; and local government services in the Regional District of Central Kootenay and the City of Castlegar. Over the period 2006/07–2008/09, CPC's power projects are expected to generate $73 million of net income for their shareholders, the Province and CBT. The projects will also contribute $37 million in taxes and water rentals.

In keeping with its commitment to Columbia Basin residents, CPC also provides direct sponsorship funding for community services, regional events and scholarships and bursaries in the Columbia Basin. Examples of sponsorship include hiking trail improvements, community festivals, hospital foundations, sporting and cultural events, and wildlife groups. CPC provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin. It also makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

Goal 4 – Sustainable environmental management and the best fisheries management

CPC completed the development of its environmental management system in 2004/05 and is currently in the process of implementing this system.

Jointly, ALGS and BRX will displace over 700,000 tonnes per year of CO2, compared to generating an equivalent amount of electricity in a gas-fired generating plant. These avoided emissions are equivalent to displacing 140,000 cars from Vancouver streets. The joint venture partners have maintained ownership of any greenhouse gas credits for their projects, which could potentially be sold in the future.

ALGS and BRX together will also reduce (by 70 per cent) the number of days when total gas pressure ("TGP") in the Columbia River at the U.S. border exceeds the U.S. standard. When TGP reaches a level of 115 per cent of normal, bubbles can form in the cardio-vascular systems of fish, which can lead to death and disruption of migration and spawning. The joint venture projects are of major benefit to the U.S., which spends millions of dollars to reduce TGP. For this reason, eight U.S. federal and state agencies, including the Environmental Protection Agency and the Fish and Wildlife Service, and the Colville Confederated Tribes have endorsed the joint venture projects.

Since 1999, CPC and CBT have provided $175,000 per year (adjusted for inflation) for the Arrow Lakes Fish Fertilization Program. The joint venture partners contributed $193,570 in 2004/05, for a six-year total of just over $1.1 million. The fertilization program involves adding a mixture of liquid nitrogen and phosphorus to the water that increases phytoplankton (algae), which in turn feeds the zooplankton, kokanee and larger fish. An estimated 1 million kokanee spawned in the Arrow Lakes Reservoir in 2004, compared to 395,000 in 1999. This is the highest number of spawning kokanee since 1988. The average size of a spawning kokanee has also increased significantly. By increasing the number and size of spawning kokanee, fertilization is providing a better food source for wildlife predators and scavengers such as bears and eagles. The program is recognized as one of the largest lake restoration projects in the world.

Additional contributions for environmental purposes included: the transfer of 125 acres of land to the Nature Trust; funding for the Slocan River Rainbow Trout Habitat Enhancement Program, a demonstration phase of which implemented in the winter of 2004/05 consisted of constructing five in-stream habitat structures; and funding a number of programs under the Columbia Basin Fish and Wildlife Compensation Program, which is administered by BC Hydro.

CPC's power projects also help to fund CBT environmental and fisheries programs in the Columbia Basin.

Goal 5 – Job creation

Over the period 1999/00 through 2002/03, with the construction and commissioning of the $270 million ALGS, CPC had the third largest hydro project under construction in North America and the largest industrial project in B.C. ALGS was completed on budget and ahead of schedule. During the three-year construction period, the project created 750 person-years of direct employment (with 85 per cent local hires), $60 million in direct and indirect income and $20 million in regional procurement.

Construction of the $205 million BRX, which commenced in the first quarter of 2003/04 and is now expected to be completed in late 2006/07, will create over 450 person-years of direct employment (with 85 per cent local hires), $30 million in direct and indirect income and $15 million in local procurement.

Subject to the requisite reviews and approvals, construction of WAX is scheduled to commence in the third quarter of 2007/08 and take three and one-half years to complete. WAX construction is estimated to create 680 person years of direct employment (with 75 per cent local hires), $65 million in direct and indirect income and $25 million in local procurement.

Supply of competitively-priced and reliable power to BC Hydro and FortisBC help to maintain British Columbia's low energy costs, and support economic development and job creation.

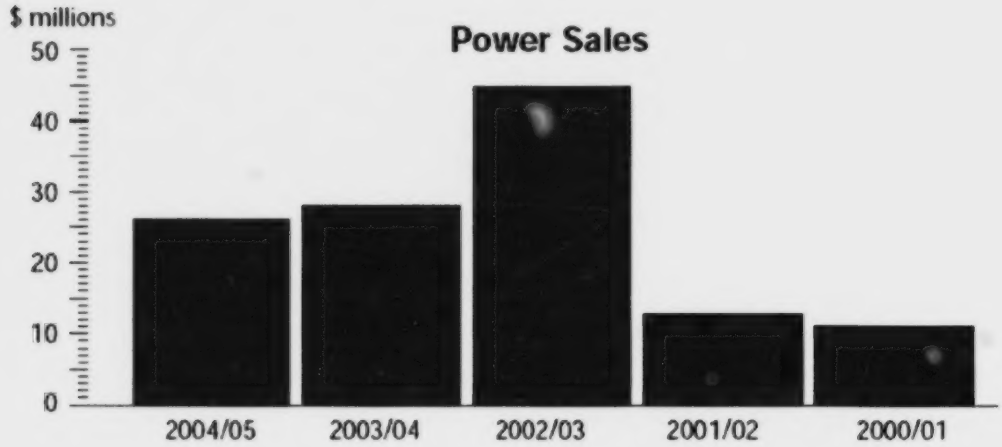
CPC's power projects also help to fund CBT economic programs and related job creation in the Columbia Basin.

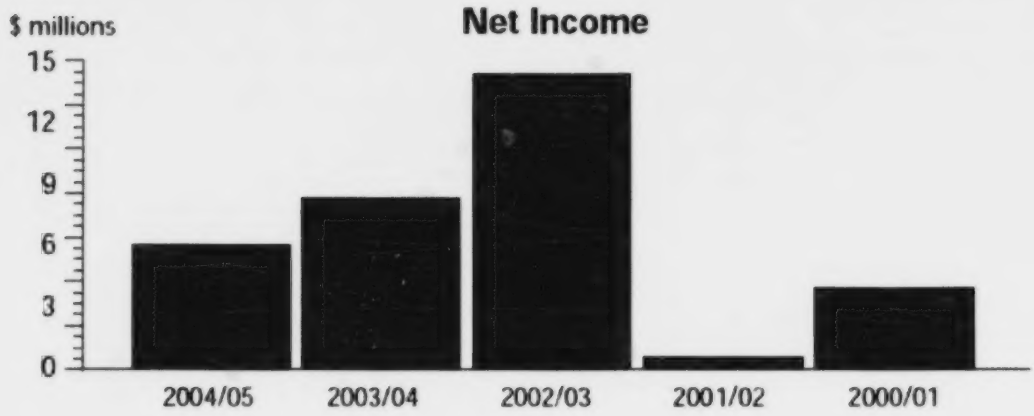
4.0 Historical Five Year Comparative

Five-Year Comparative Data
($ in thousands)

	2004/05	2003/04	2002/03	2001/02	2000/01
Power Sales	$ 26,480	$ 28,081	$ 44,650	$ 12,781	$ 11,071
Interest and Other Earnings	2,721	1,892	700	711	2,811
Net Income	5,744	8,262	13,438	550	3,716
Dividend Payments	2,000	2,000	2,000	2,000	3,000
Capital Assets and Deferred Costs	365,234	330,852	287,296	266,148	210,005
Short-Term Debt	-	-	47,254	63,491	20,343
Long-Term Debt	128,407	107,664	59,049	59,839	46,288
Equity	303,417	299,673	293,411	287,011	288,461
Capital and Deferred Spending	$ 41,865	$ 50,460	$ 26,601	$ 58,999	$ 63,095
Debt to Equity Ratio	30:70	26:74	27:73	30:70	19:81

Figure 3: Five Year Comparative Power Sales and Net Income





5.0 Summary Financial Outlook

5.1 CPC Consolidated Statement of Income Forecast

$ in thousands

		2004/05	2005/06	2006/07	2007/08	2008/09
		Actual				
REVENUES						
Sale of power and transmission revenue	$	27,891	30,024	32,825	48,580	49,837
Interest		727	533	434	279	324
Management fee		583	585	644	858	929
		29,201	31,142	33,903	49,716	51,090
EXPENSES						
Water rentals		4,090	3,957	4,133	4,674	5,864
Amortization of capital assets in service		6,174	6,386	6,483	9,350	9,496
Amortization of power sales right		720	772	886	1,279	1,279
Property tax		1,027	1,065	1,196	1,220	1,244
Operations and maintenance		1,423	1,343	1,445	1,832	1,838
Administration and management		1,791	1,825	1,838	2,150	2,233
Insurance		497	565	550	752	767
Community sponsorship		75	85	85	85	85
Restructuring and development costs		762	775	-	-	-
		16,559	16,772	16,615	21,342	22,807
INCOME FROM OPERATIONS		12,642	14,371	17,288	28,375	28,283
FINANCE CHARGES						
Interest expense		8,106	8,632	8,365	10,418	13,251
Amortization of deferred debt issue costs		254	195	195	195	213
		8,360	8,827	8,559	10,613	13,464
NET INCOME BEFORE CHANNEL REPAIR COSTS		4,282	5,544	8,729	17,762	14,819
CHANNEL REPAIR COSTS		(3,927)	(10,750)	(5,500)	-	-
RECOVERY OF REPAIR COSTS AND LOSSES		5,389	2,940	701	-	-
NET INCOME	$	5,744	(2,266)	3,930	17,762	14,819
Full Time Equivalents		40	42	51	52	53

Notes:

1. Revenues and expenses represent CPC's 50 per cent share of joint venture amounts.
2. Operations and maintenance includes channel repair costs and are offset by recoveries.

5.2 Key Assumptions

Key assumptions affecting the forecasts performance measures targets are as follows:

- BRX achieves delayed commercial operation in late 2006/07 within the approved development and construction budget of $205 million.
- Grants in lieu of property tax are paid by ALGS and BRX on a similar basis to BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille Rivers.
- The market price for electricity is C$55 per megawatt hour at March 31, 2005, escalating in nominal terms at 2 per cent per year.
- Operating cost inflation, including water rental increases, is 2 per cent per year.
- A new 30-year CPA among BC Hydro, CPC/CBT, FortisBC, and Teck Cominco comes into force in 2006/07.
- Construction of a 435 megawatt WAX commences in 2007/08.

5.3 Risk Factors and Sensitivities

CPC's return on equity will increase over time as projects now under development enter the operating phase and begin to earn income following intensive capital spending during construction. Factors that could affect the future rate of return include power market developments, interest and exchange rate movements, payments to government and access to transmission systems. The Province's energy plan supports the development of CPC's projects by providing greater access to the transmission system and improving the ability of non-utility generators to sell power directly to large customers.

Future dividends will be determined based on annual cash earnings, ALGS approach channel repair cash requirements, working capital requirements, reserves for future capital replacement and new power project investment opportunities.

The major source of short-term operational uncertainty for CPC is the damage to the approach channel at ALGS. Damage to the concrete lining of the approach channel was discovered on May 3, 2004. Power generation was suspended while emergency repairs were performed in order to maintain the structural integrity of the channel and the adjoining structures. Interim repairs were then made to allow power generation to resume safely in August 2004. Plans for permanent repairs were developed in conjunction with the Comptroller of Water Rights and BC Hydro. Work on permanent channel repairs began in late 2005 and is expected to be completed by June 2006. Arrow Lakes Power Corporation is also taking all necessary steps – including pursuing its remedies under the design-build contract and its insurance policies, and preserving its available sources of working capital – to ensure that its obligations to creditors and regulators are being satisfied.

Net income during 2005/06 and 2006/07 is expected to be materially affected by permanent channel repairs, depending on the cost of repairs and the amount and timing of recoveries from insurance and/or the design-build contractor.

Subject to resolution of the ALGS channel problem, CPC's outlook for the future is for stable earnings growth. At the Brilliant power facility and terminal station and ALGS, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby eliminating hydrology risk. Interest costs for projects in operation are fixed through the issue of long-term bonds. At BRD, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement. Although the sales contract for ALGS

does not have this feature, operating costs at Arrow Lakes are low relative to revenues, as is typical in a hydroelectric generating plant.

BRX commercial operations are expected to begin in late 2006/07. The fixed-price nature of the BRX design-build contract and its performance guarantees have the effect of transferring most of the construction risk to the contractor. With the coming into force of the new CPA, an entitlement agreement will be in place for BRX, which will remove hydrology risk. With 40 per cent of the plant output sold under a long-term contract with BC Hydro, CPC is pursuing opportunities to enter into sales agreements for the remaining plant output prior to completion of construction. The nature of the sales arrangements put in place for BRX will affect CPC's ability to raise financing at project completion, which in turn will affect the availability of funds for the construction of WAX.

The following table presents an analysis of the primary risks that CPC faces and the strategies implemented during 2005/06 to address these risks.

Risk	**Issue/Impact**	**How managed**
ALGS Channel Repair Costs	The cost of permanent channel repairs is significant in 2005/06 and 2006/07.	CPC has retained $20 million as of March 31, 2005 to fund permanent repairs and will retain further cash through 2006/07. CPC will seek to recover these costs and lost revenue from insurers and/or the design-build contractor.
WAX Construction Decision	Construction of WAX is subject to: permitting, design-build bids, entitlement negotiations, power marketing and long-term borrowing costs. Each could affect project timing, cost, scale and viability.	CPC is pursuing the design-evaluate-build development strategy used to develop ALGS and BRX. CPC has achieved a transfer of the Waneta Water Reserve to CPC/CBT, and has also signed a Waneta Cooperation Agreement and a Transmission Rights Agreement with Teck Cominco.
CPA Renegotiations	The existing CPA includes Brilliant entitlements. Key parts of the CPA were to expire in September 2005. BC Hydro, CPC, FortisBC and Teck Cominco have negotiated a renewed and extended CPA that includes BRX and WAX and runs until at least December 31, 2035. Coming into force of this new CPA depends upon "satisfactory" regulatory approval.	If there is an "unsatisfactory" regulatory outcome, the 1994 Canal Plant Benefit Extension Agreement would protect the BRD entitlement through 2035, and CPC would negotiate separate entitlement agreements with BC Hydro for BRX and WAX, similar to the entitlement agreement that is in place for ALGS.
BRX Commercial Operation Date	The scheduled commercial operation date has been delayed until late 2006/07. Missing that date would have a direct negative impact on project revenues. Estimated 2006/07 net income from September 2006 to March 2007 is $10.8 million.	CPC actively monitors the progress of construction. The design-build contract specifies a project completion date, with bonuses for early completion and penalties for late completion exceeding one month.

Risk	Issue/Impact	How managed
Plant Reliability	Once all channel repairs are completed and ALGS resumes normal operation, if the ALGS plant outage factor were to increase by 2.5 percentage points, from the forecasted 8.7 per cent, revenues and net income would decline by $770,000 in 2006/07, assuming no recoveries.	Plant outage risk for BRD is transferred to the power purchaser/plant operator. Design-build contracts are secured by: performance and labour and materials bonds; either cash holdbacks or letters of credit; and parent company guarantees. Machinery and equipment have manufacturer warranties. All power projects also carry business interruption, property and liability insurance.
Availability of Funds	Debt funding is required for completion of current and future projects.	Key ALGS, BRX and WAX agreements are structured to achieve financeable projects with a high credit rating. CPC/CBT plan to retain cash from operations to lessen the borrowing burden for WAX, which may allow more flexible WAX power marketing.
BRX Power Marketing	Forty per cent of BRX output has been marketed to BC Hydro under a 20-year Green Power contract, the revenue from which is sufficient to recover project capital costs.	CPC is pursuing sales contracts with utilities and marketers in domestic and U.S. markets for the remaining 60 per cent of BRX power.
Transmission and Market Access	CPC/CBT power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	CPC has signed a long-term Transmission Rights Agreement with Teck Cominco. CPC intervenes in BC Transmission Corporation tariff and capital plan hearings. CPC also pursues sales contracts with delivery at CPC/CBT points of interconnection.
Regulatory Risk	CPC/CBT and CPC/CBT power projects come under the *Utilities Commission Act* definition of public utilities.	CPC has obtained a Ministerial Order exempting CPC/CBT and CPC/CBT power projects from regulation. Where appropriate, CPC also intervenes in the regulatory proceedings of BC Hydro and FortisBC.

Risk	Issue/Impact	How managed
Property Taxation	Taxing ALGS and BRX at current regional district rates would reduce annual project net income by about $6 million and $3 million, respectively. WAX could be similarly impacted. This would affect the economic viability of the power projects and the ability to raise debt to fund WAX.	CPC has previously obtained Orders in Council exempting ALGS and BRX from property tax. CPC will seek a similar tax exemption for WAX. It is expected that ALGS, BRX and WAX will pay grants in lieu on a similar basis to BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille Rivers.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed as a result of BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC/CBT are saved harmless. .	CPC has obtained an indemnity from BC Hydro saving harmless CPC/CBT power projects from the effects of Water Use Planning. CPC is also monitoring changes to U.S. regulation of Libby dam and has registered CPC/CBT interests with the U.S. Army Corp of Engineers and BC Hydro, respectively the designated U.S. and Canadian Entities under the Columbia River Treaty.
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $200,000 per year for the 60 per cent of BRX power entitlement not currently under contract.	Sales to BC Hydro and FortisBC are in Canadian dollars. For export sales in U.S. dollars, hedging against exchange risk can be used.
Counter-party Credit Risks	Bond ratings and interest costs for CPC/CBT project debt are affected by the creditworthiness of the buyer. Power purchasers may also require CPC to post security.	CPC's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. CPC will negotiate with purchasers to minimize or, if possible, eliminate this requirement.
Interest Rate Risk	Higher interest rates could negatively impact the cost of new project debt, project net income and the economics of and ability to finance WAX. Depending on the size of WAX, a one-percentage point interest rate rise could reduce annual net income by up to $4 million.	CPC continues to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate.

6.0 Capital Plan

BRX is the only approved CPC/CBT Major Capital Project in the period 2006/07 to 2008/09. Treasury Board and CBT Board approval to proceed with this 120 megawatt, $205 million project was obtained in February 2003; a fixed-price design-build contract was signed in February 2003; and, construction commenced in April 2003. The contractual commercial operation date for BRX is September 7, 2006, however a delay is expected until late 2006/07. Forecast BRX capital spending over the period of the Service Plan totals $22 million ($183 million having been advanced from 2002/03 to 2005/06). In accordance with the *Budget Transparency and Accountability Act*, a Major Capital Project Plan was submitted for BRX to the Clerk of the British Columbia Legislative Assembly on March 18, 2003 (which is available on CPC's web site www.columbiapower.org/content/projects.html under BRX). While WAX is not yet an approved project, the following capital spending table includes estimated WAX capital spending to the end of 2008/09 on the assumption that CPC receives the requisite approval to enter into a design-build contract in early 2007/08.

6.1 CPC Consolidated Capital Spending Forecast

$ in thousands

	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual				
BRILLIANT POWER CORPORATION	3,506	1,119	1,893	2,438	1,808
ARROW LAKES POWER CORPORATION	1,123	476	242	281	282
BRILLIANT EXPANSION POWER CORPORATION	36,497	12,628	11,016	561	570
POWER PROJECT PLANNING					
Waneta Expansion	1,580	2,473	4,938	71,775	84,376
General Power Project Planning		200	265	265	265
	1,580	2,673	5,203	72,040	84,641
CPC CORPORATE	202	200	300	330	363
TOTAL	$ 42,908	17,096	18,654	75,650	87,664

Note:

1. With the exception of CPC Corporate (primarily furniture, office equipment and vehicles), capital spending represents CPC's 50 per cent share of joint venture amounts.

6.2 Liquidity and Sources of Capital

CPC has set aside cash and temporary investment reserves to complete BRX, fund the ALGS channel permanent repair, finish the Brilliant life extension program and partially fund the development of WAX.

CPC has access to the Province's fiscal agency loan program, which can be used to partially finance WAX during construction. Subject to the creditworthiness of future power sales contracts, long-term and short-term borrowing capacity is also available from the existing power projects to finance WAX.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and CBT, provide equity for WAX. This operational equity would lower future long-term borrowing requirements and allow power marketing flexibility.

7.0 Board of Directors and Officers

Board of Directors

Lee Doney
Chair

Jane Fleming

Art Willms

Ed Pietraszek
Acting President

Officers

Ed Pietraszek
Acting President

Guilio Ambrosone
Vice President, Engineering & Construction

Bruce Duncan
Vice President, Strategic Planning & Regulatory Affairs

Bill Freeman
Vice President, Planning & Development

Victor Jmaeff
Vice President, Power Supply & Marketing

Wally Penner
Executive Director, Community & Regional Affairs

Randall Smith
Acting Corporate Secretary/Treasurer

David de Git
Acting Corporate Controller

8.0 Corporate Governance

CPC is a Crown corporation existing under the *British Columbia Business Corporations Act*. It is owned and controlled by the Province and is an agent of the Province. Under the terms of its agency agreement, CPC must obtain the approval of the Province's Treasury Board for all budgets and material decisions. The Province appoints its directors annually. All employees are bound by the CPC Standards of Conduct.

As a government corporation under the *British Columbia Financial Administration Act*, CPC is required to maintain its accounts in a manner acceptable to the Minister of Finance. The Auditor General of British Columbia is the auditor for CPC.

The power project investments of CPC and CBT are guided by the principle, as stated in the Financial Agreement between the Province and CBT, that the joint venture management committee formed for a power project will only authorize the commencement of the power project if such commencement is approved by the respective boards of directors of CPC and CBT and such power project would meet conditions precedent as would be set by a reasonable lender for the financing of such power project, including conditions in respect of debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity and similar matters.

All operating and capital budgets for a joint venture power project require the unanimous approval of the joint venture's management committee. Such committees consist of three members appointed by CPC and three members appointed by CBT.

Between February and April 2005, the Province appointed three additional directors to the CPC Board. The new directors, one of whom was appointed as Chair, bring to the Board considerable experience as directors and officers in the public and private sector. Further appointments are expected, including CBT's new one-third representation. These appointments will be skills based. Work is also underway on board sub-committee structures and an overall board governance model consistent with best practice guidelines issued by the Province.

Glossary of Acronyms

ALGS	Arrow Lakes Generating Station
BRD	Brilliant dam and powerplant
BRX	Brilliant Expansion Project
BTS	Brilliant Terminal Substation
CPC	Columbia Power Corporation
CBT	Columbia Basin Trust
CBTE	CBT Energy Inc.
CEA	Canadian Electricity Association
CPA	Canal Plant Agreement
DBRS	Dominion Bond Rating Service
EMS	environmental management system
IPP	independent power producer
HJA	Haddon Jackson Associates, Inc.
Moody's	Moody's Investor Service
OMA	operations, maintenance and administration
PKS	Peter Kiewit Sons Co.
Province	Province of British Columbia
TGP	total gas pressure
U.S.	United States of America
WAX	Waneta Expansion Project

COLUMBIA POWER CORPORATION

APPENDIX A | Benchmarking

Introduction

In 2005 CPC\CBT engaged the services of Haddon Jackson Associates, Inc. (HJA) to provide benchmarking services that would allow CPC\CBT to compare its performance against peer organizations across North America and abroad. CPC\CBT participated in a study ("Hydro 2005") led by HJA which compared performance data from 332 stations. HJA Consulting is a leading management consulting firm specializing in Hydro performance improvement. The firm was founded in 1987 and has offices in metro Atlanta and metro Boston.

The study provided information on a number of functions:

- operations
- plant maintenance
- waterways and dam maintenance
- buildings and grounds maintenance
- investment
- support
- public affairs and regulatory
- engineering services

The information was segmented into groupings that allowed for valid comparison, based on factors such as size, number of units, and age. All costs are stated in U.S. dollars, and data from previous years is adjusted for inflation as needed. Participants in the study included many major utilities including BC Hydro, Ontario Power Generation, and the New York Power Authority.

The overall results are positive for CPC\CBT. In all major areas, CPC\CBT performed well compared to its peers, and the Brilliant dam was awarded "leading performer" status for plant maintenance. However, results for Arrow Lakes (ALGS) were negatively affected by channel repair works required. It is anticipated that there will be significant improvements in future years, as the ALGS operation returns to normal.

In coming years, CPC\CBT will continue to participate in the benchmarking studies and we will use the benchmarking information in future service plans and annual reports. The more detailed measures and data will be used by management to track trends and make improvements.

COLUMBIA POWER CORPORATION

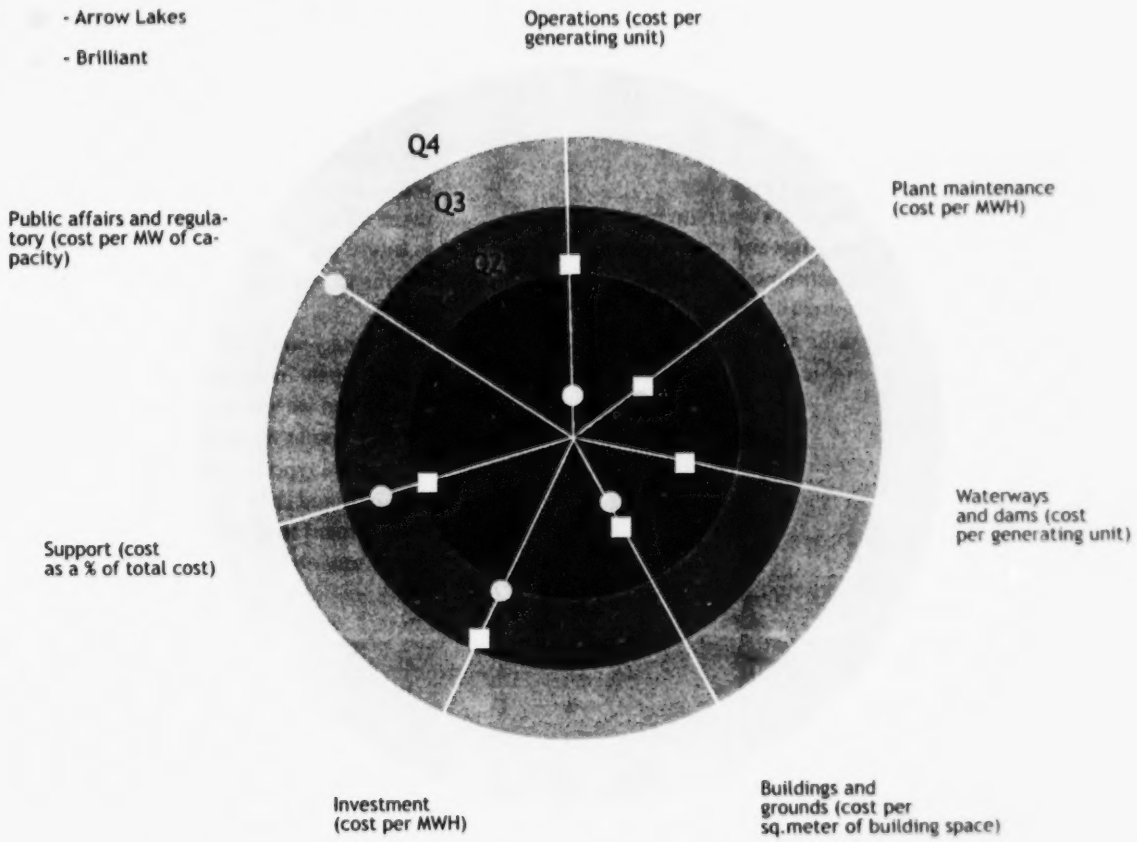
Overall

The following diagram provides a summary of how CPC/CBT performed in terms of cost, by comparing its power plant costs to peer generating units across North America. For each axis on the diagram, CPC/CBT's quartile standing is reported.

More detailed information on some of the cost measures is provided in the charts that follow. We have not provided detailed charts where the cost factor is relatively insignificant (Waterways and Dams, Buildings and Grounds, Support), or where the data are not truly comparable, and not controllable by CPC/CBT (Public Affairs and Regulatory).

We have also added a key efficiency measure (Equivalent Forced Outage Rate) to accompany the cost measures. This measure needs to be evaluated in conjunction with the plant maintenance and investment cost indicators to gain an understanding of the necessary trade-offs management must make in deciding on levels of maintenance and sustaining capital. This trade-off exercise gained us a "leading performer" designation for Brilliant Dam plant maintenance in the benchmarking study.

Quartile performance by power plant cost function


- Arrow Lakes
- Brilliant
Operations (cost per generating unit)
Q4
Q3
Q2
Plant maintenance (cost per MWH)
Public affairs and regulatory (cost per MW of capacity)
Waterways and dams (cost per generating unit)
Support (cost as a % of total cost)
Investment (cost per MWH)
Buildings and grounds (cost per sq.meter of building space)

*Stated in U.S. Dollars. Salary Costs Adjusted for Regional Differences.

COLUMBIA POWER CORPORATION

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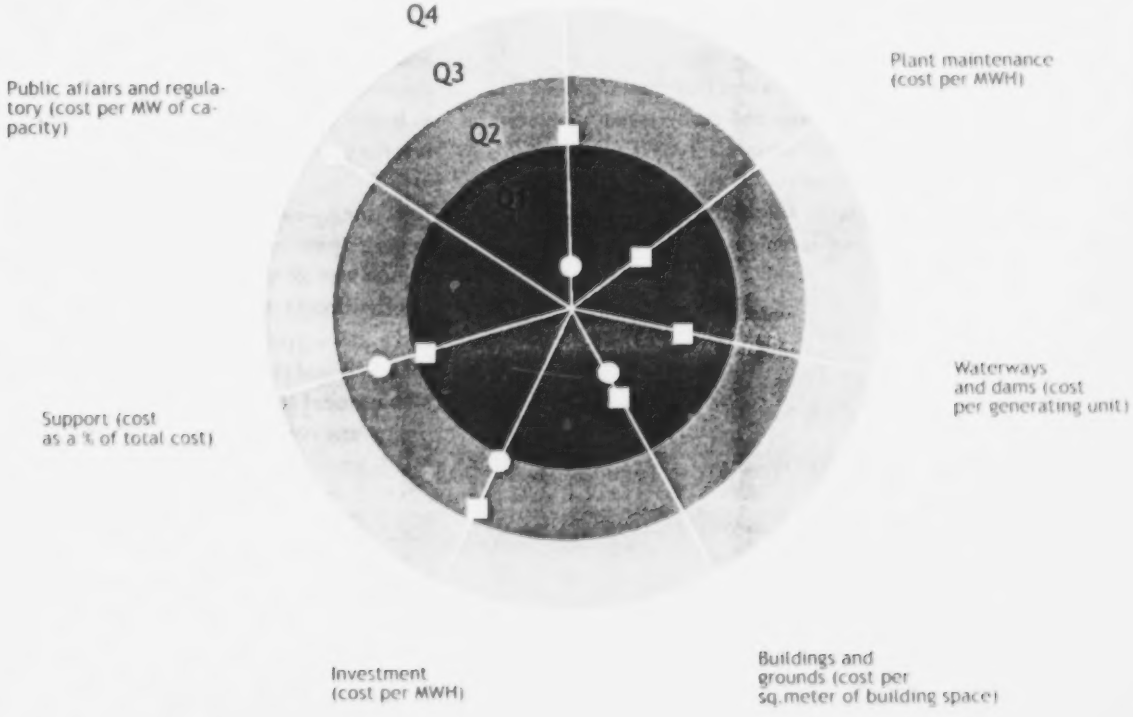
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Q4
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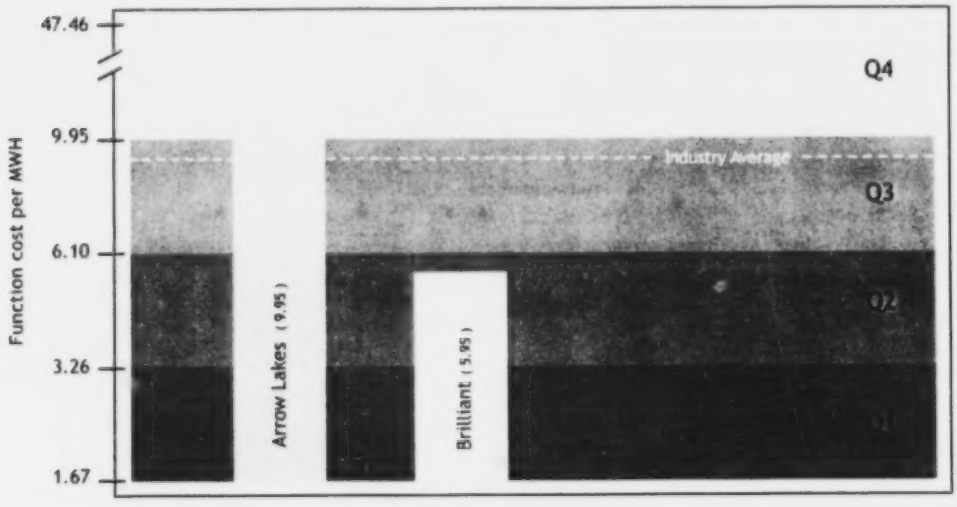
COLUMBIA POWER CORPORATION

Key Indicators

1. Function Cost / MWH - Medium Hydro

This is a broad-based measure of overall efficiency. It includes function costs for operations, plant maintenance, waterway and dam maintenance, building and ground maintenance and support. It excludes investment costs.



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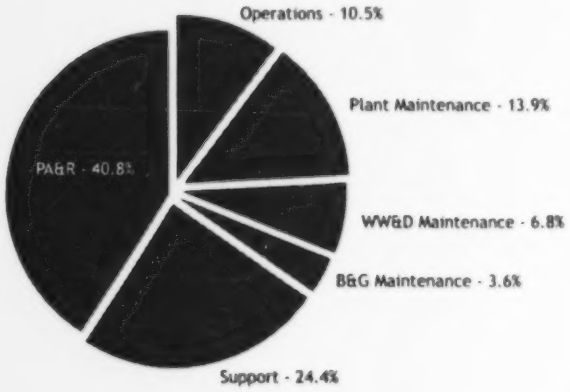
COLUMBIA POWER CORPORATION

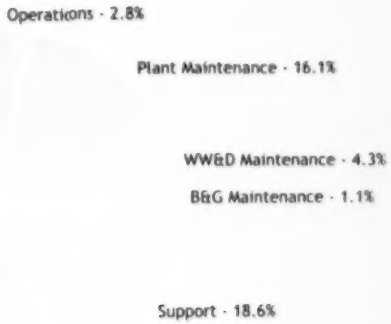
2. Total Cost Distribution - Medium Hydro

This compares the distribution of costs for CPC\CBT to the industry norms. It can help identify areas of over or under operations, maintenance and other spending. It is important, in interpreting this data set, to remember that in general Canadian plants face much higher public affairs and regulatory costs than their American counterparts—they pay significant water and property taxes.

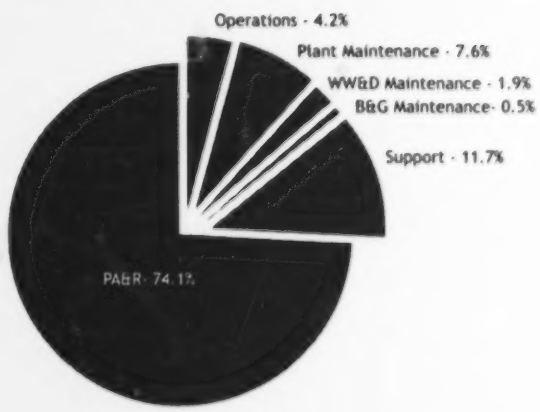
Industry



Arrow Lakes



Brilliant



PA&R - Public Affairs and Regulatory
WW&D - Waterways and Dams
B&G - Buildings and Grounds

**Stated in U.S. Dollars. Salary Costs Adjusted for Regional Differences.*

COLUMBIA POWER CORPORATION

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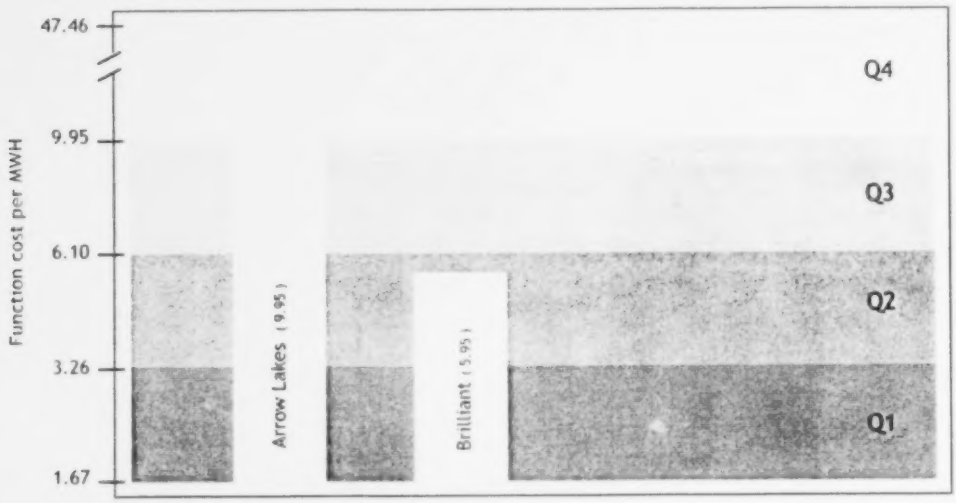

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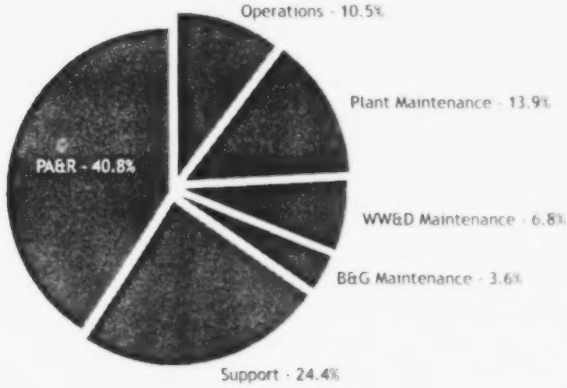
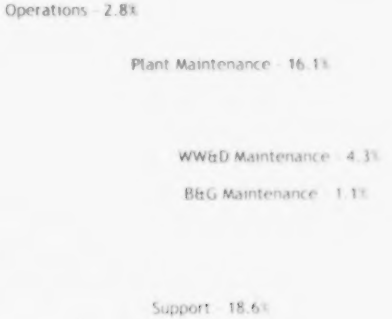
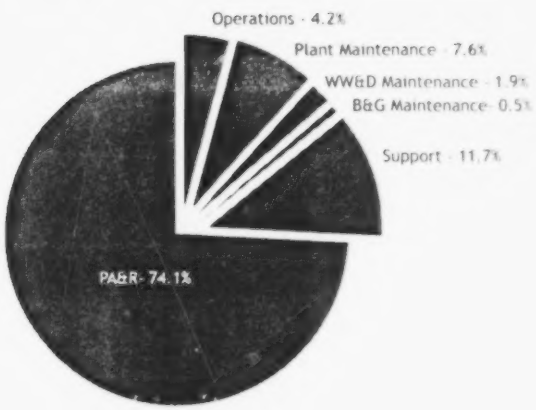


Arrow Lakes



Brilliant



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PA&R - *Public Affairs and Regulatory*
WW&D - *Waterways and Dams*
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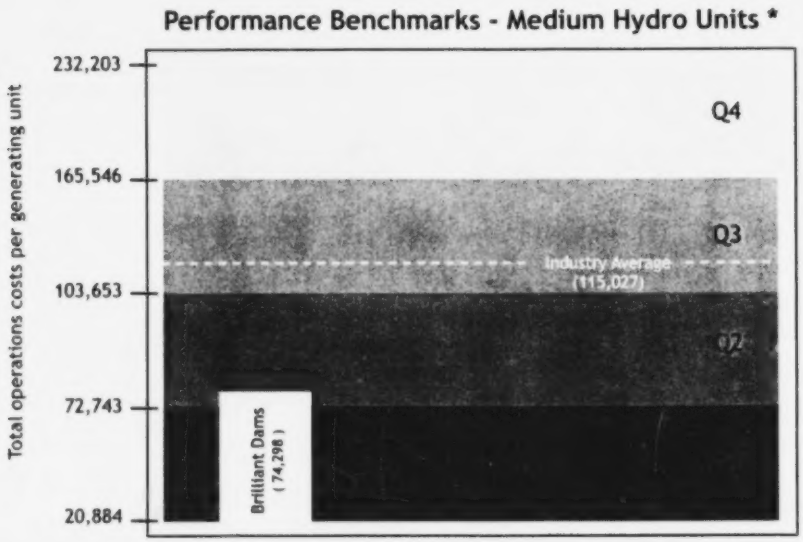
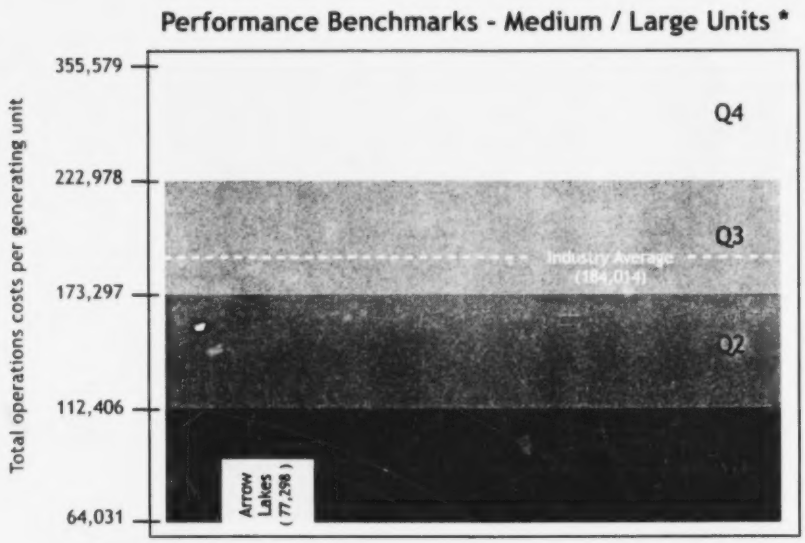
COLUMBIA POWER CORPORATION

3. Total Operations Cost per Generating Unit

This is a key indicator of operations efficiency. It focuses on direct operations expenses related to the running of the generating units.





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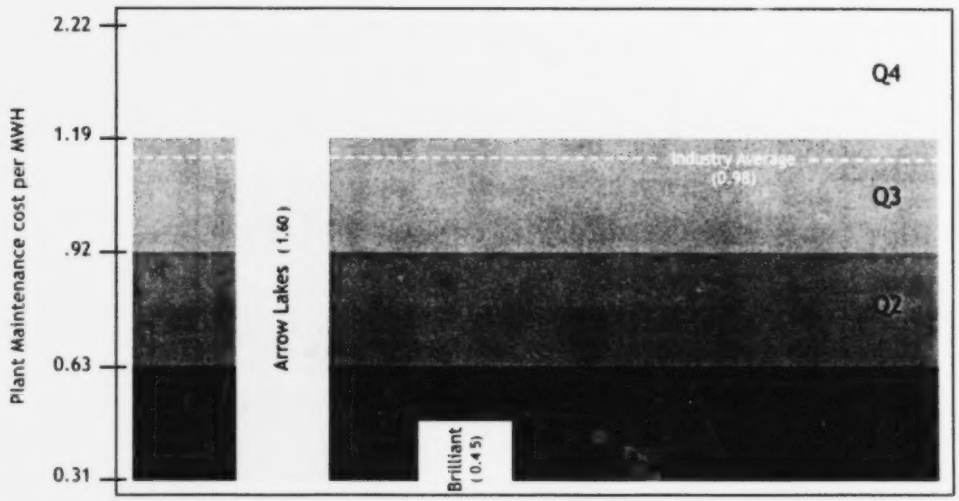
COLUMBIA POWER CORPORATION

4. Plant Maintenance Cost per Unit of Output

This indicator provides an overview of the efficiency of the plant maintenance based on plant maintenance costs to produce 1MWH of electricity.



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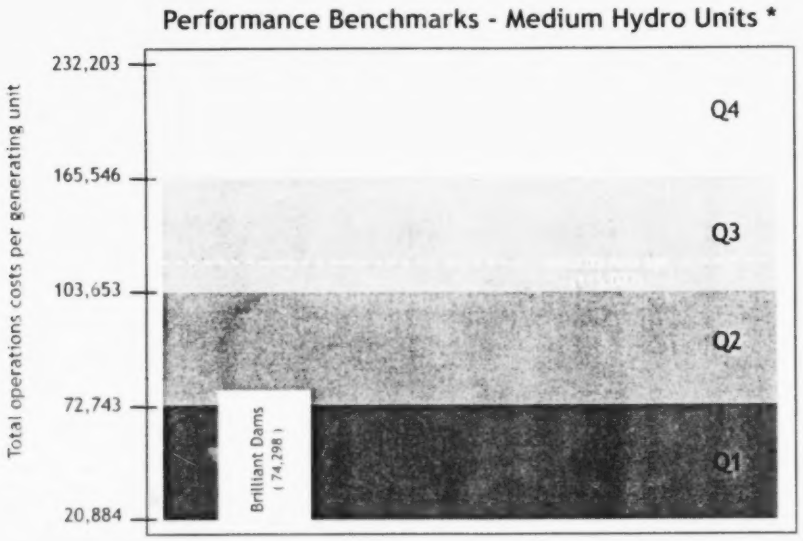

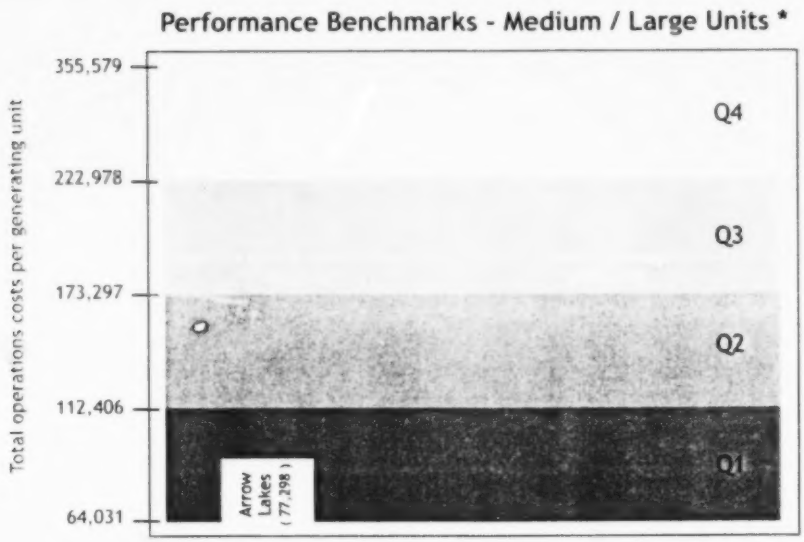

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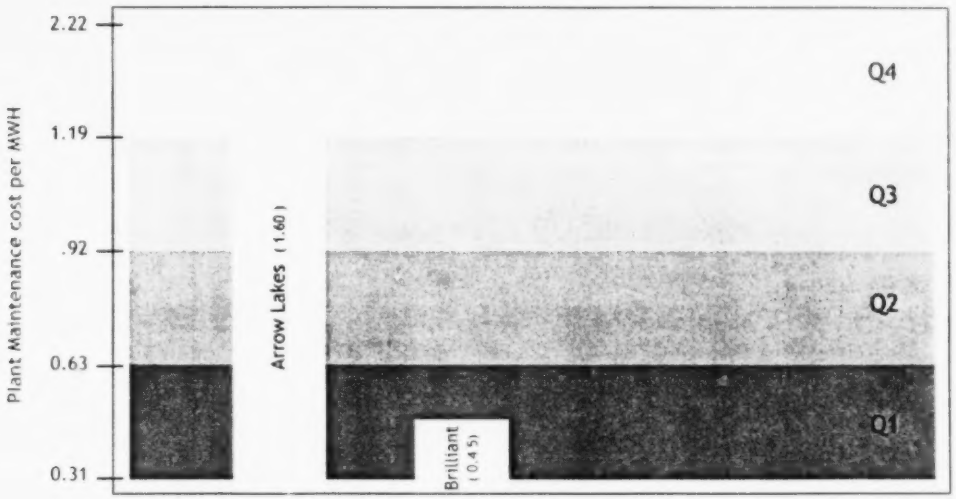

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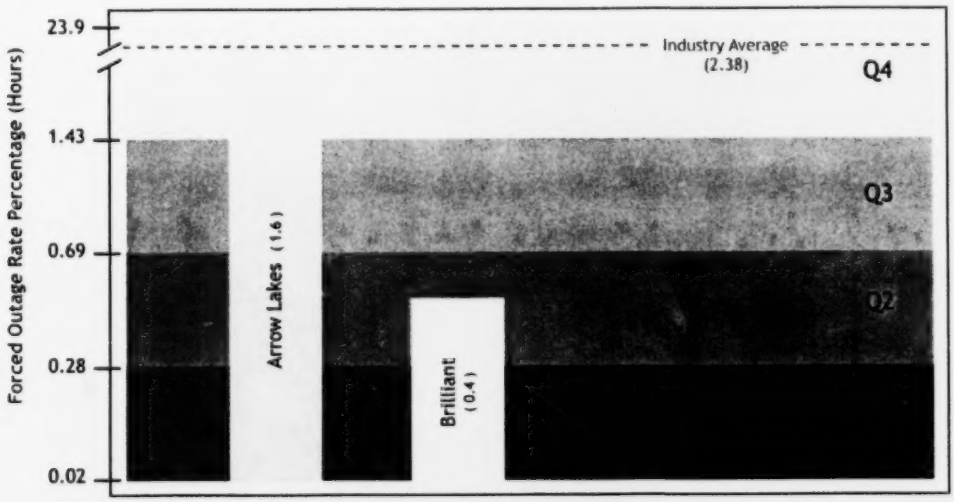
COLUMBIA POWER CORPORATION

5. Maintenance : Equivalent Forced Outage Rate

This compares unplanned outages to the industry. Unplanned outages during peak demand or water allocation periods represent lost opportunities to gain revenue. The data does not include routine planned outages for repairs and maintenance. For CPC\CBT, the comparison is with stations less than 45 years old, as age is a key factor for outage rates.

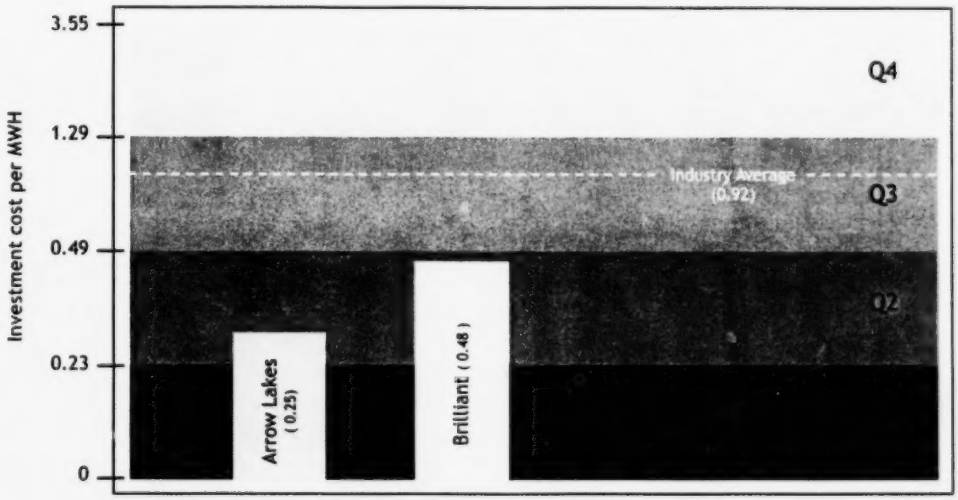


Stated in U.S. Dollars. Salary Costs Adjusted for Regional Differences.

COLUMBIA POWER CORPORATION

6. Investment Cost per MWH

This indicator reflects the level of "investment" (sustaining capital expenditures). The aim here is to achieve an optimal balance -- high spending may indicate inefficiency, while a low rate may indicate under-investment leading to future problems. In this chart we compare CPC\CBT spending to the overall industry, for stations less than 15 years old. (Again, age is a critical factor in spending levels, and we may expect CPC\CBT investment rates to increase as plants age.)



*Stated in U.S. Dollars. Salary Costs Adjusted for Regional Differences.

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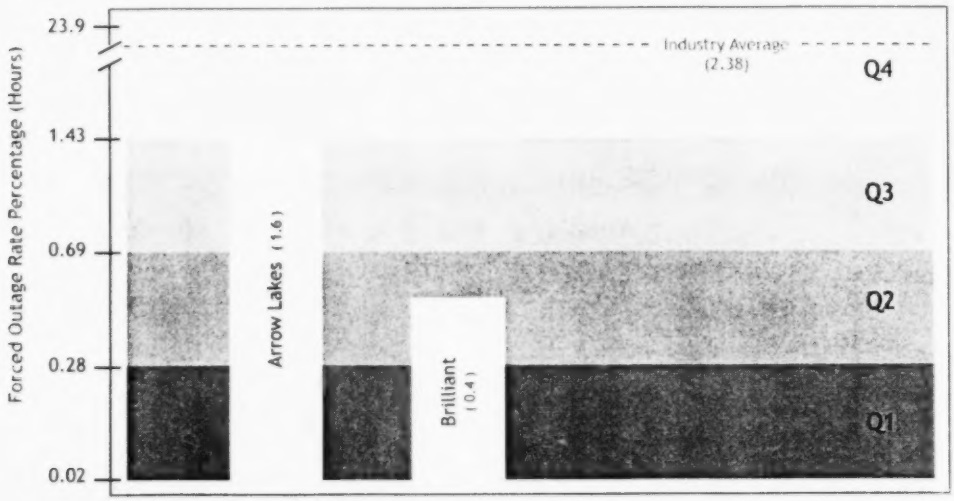
5. Maintenance : Equivalent Forced Outage Rate

This compares unplanned outages to the industry. Unplanned outages during peak demand or water allocation periods represent lost opportunities to gain revenue. The data does not include routine planned outages for repairs and maintenance. For CPC\CBT, the comparison is with stations less than 45 years old, as age is a key factor for outage rates.



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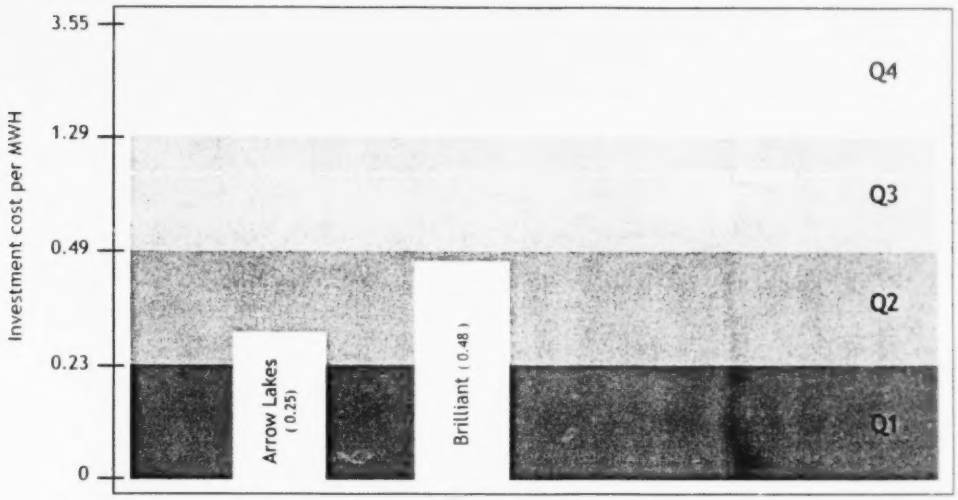

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Study Methodology

HJA led and coordinated the study, which was carried out over the summer of 2005. Each of the 332 stations provided HJA with a standardized set of data. Approximately 32 plants participated in the 2005 program. The remaining data was from inflated information for plants benchmarked in prior years. HJA compiled and analyzed the data, held field interviews to challenge and validate the data, and developed a report. An overview conference for participants was held in November 2005. A final report, which will provide CPC\CBT with its customized data, will be available in January 2006. The data presented above are from the general report prepared by HJA.

In addition to providing comparative data, the study identifies leading practitioners who have achieved the highest level of success for their group, and for particular functions. This is intended to enable participants to learn from the success of others. In the study, CPC\CBT was classified as a "Medium Hydro" operation, with parameters being set to reflect valid comparisons for each function.

Finally, the study will enable HJA to predict future costs associated with each function, and this will provide useful information for setting targets and reviewing performance.